

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10

FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 COME-00

DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15

STR-04 TRSE-00 ACDA-07 /131 W

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 157

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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TAGS: ENRG, NI

SUBJECT: NIGERIAN CRUDE OIL PRODUCTION

REF: (A) LAGOS 2491 (B) LAGOS 985

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1. NIGERIAN CRUDE OIL PRODUCTION IN FEBRUARY 1977 ESSENTIALLY
SAME AS PREVIOUS MONTH AT 2,196,234 BARRELS PER DAY (B/D).
SHELL-BP ACD GULF PRODUCTION UP TO EXPECTED LEVELS, BUT THIS
OFFSET BY SHUT-IN OF ONE MOBIL FIELD FOR INSTALLATION GASS
INJECTION FACILITIES AS REPORTED REFTEL B. AGIP/PHILLIPS
PRODUCTION CUT BACK DUE FAILURE NNOC NOMINATED VESSELS TO LIFT.

FOLLOWING TABLE SHOWS PROVISIONAL FIGURES FOR FEBRUARY AND FINAL FIGURES FOR JANUARY.

COMPANY	FEBRUARY	JANUARY	PERCENT CHANGE
SHELL-BP	1,297,373	1,270,319	PLUS 2.1
GULF	310,163	306,070	PLUS 1.3
MOBIL	216,969	237,230	MINUS 8.5
AGIP/PHILLIPS	213,240	227,781	MINUS 6.4
ELF	87,143	83,562	PLUS 4.3
TEXACO	53,370	53,809	MINUS 0.8
PAN OCEAN	10,746	9,366	PLUS 14.7
ASHLAND	7,230	9,217	MINUS 21.6
ALL COMPANIES	2,196,324	2,197,354	MINUS 0.1

2 AFTER DROPPING IN JANUARY WHILE COMPANIES REFILLED STORAGE TANKS, CRUDE OIL EXPORTS ROSE SUBSTANTIALLY TO 2,181,993 B/D, ABOUT 161,000 B/D HIGHER THAN IN JANUARY. ACCORDING TO INDUSTRY SOURCES, U.S. DEMAND FOR NIGERIAN CRUDE BECOMING STRONGER THAN EVER. NORMALLY AT A PREMIUM IN SUMMER DUE TO ITS HIGH GASOLINE YIELD, NIGERIAN LIGHT CRUDE HAS ALSO BEEN MUCH SOUGHT AFTER THIS WINTER DUE TO ITS HIGH PERCENTAGE YIELD OR LOW SULFUR MIDDLE DISTILLATES USED FOR HOME HEATING OIL. U.S. REFINERS SAID TO HAVE BEEN MAXIMIZING PRODUCTION OF DISTILLATES AT EXPENSE OF GASOLINE TO SUCH AN EXTENT THAT SOME HAVE EVEN BEEN IMPORTING GASOLINE IN NORMALLY SLACK WINTER DRIVING SEASON. WITH RETURN OF WARM WEATHER AND MORE FRIVING, COMBINATION OF LOW U.S. GASOLINE STOCKS PLUS INCREASED GASOLINE CONSUMPTION SHOULD CONTINUE TO KEEP U.S. DEMAND FOR NIGERIAN LIGHT CRUDE AT VERY HIGH LEVELS.

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THIS MAKES SECOND QUARTER PRICE INCREASE, AT LEAST FOR NIGERIAN LIGHT, A VIRTUAL CERTAINTY. CURRENT BETTING IS THAT INCREASED WILL BE ON ORDER OF TWENTY-FIVE CENTS PER BARREL.

3. DRILLING ACTIVITY PICKING UP SOMEWHAT ABOVE DEPRESSED 1976 YEAR END LEVEL. RIGS EMPLOYED AT MONTH'S END ROSE FOR SECOND MONTH, NOW TOTAL 11. JAPAN PETROLEUM BROUGHT IN SEDCO 445 DRILLSHIP ON SHORT TERM CONTRACT IN ORDER DRILL MINIMUM FOOTAGE NEEDED TO KEEP AN OFFSHORE CONCESSION WHILE AWAITING ANTICIPATED ANNOUNCEMENT OF NEW INVESTMENT INCENTIVES FROM FMG. ACCORDING PETROLEUM CONSULTING REPORT, TOTAL FOOTAGE DRILLING IN JANUARY WAS 35 PERCENT HIGHER THAN IN DECEMBER.

4. COMPANY ESTIMATES INDICATE PRODUCTION WILL BE SUBSTANTIALLY HIGHER IN MARCH. SHELL-BP (PROTECT FOLLOWING PROPRIETARY INFORMATION) BROUGHT A NEW FIELD, NEMBE CREEK, ON STREAM IN JANUARY. THIS FIELD, DISCOVERED SEVERAL YEARS AGO, IS LOCATED ABOUT 10 MILES ONSHORE ON EAST BANK OF BRASS RIVER. IT APPEARS CERTAIN TO BE VERY LARGE RESERVOIR AND NEEDED ONLY ABOUT

FIVE MILES OF PIPELINE TO CONNECT WITH APIP/PHILLIPS LINE TO BRASS RIVER TERMINAL, THUS JUSTIFYING ITS DEVELOPMENT EVEN IN PRESENT DEPRESSED INVESTMENT CLIMATE. NEMBE CREEK NOW PRODUCING 35,000 B/D, WILL SOON RISE TO 60,000 B/D, AND MAY EVENTUALLY BE PRODUCING OVER 100,000 B/D. WITH ADDITION THIS NEW FIELD, SHELL-BP EXPECT TO PRODUCE AT RATE AS HIGH AS 1,320,000 B/D IN MARCH. GULF EXPECTS TO PRODUCE 311,000 B/D. (GULF, WHICH RECENTLY HAD ALLOWABLE PRODUCTION CEILING RAISED TO 330,000 B/D, IS OPTIMISTIC THAT IT WILL RECEIVE APPROVAL ON APPLICATIONS FOR ADDITIONAL ALLOWABLES OF 11,000 B/D SOON AND MAY THUS BE ABLE PRODUCE 325,000 B/D BY END SECOND QUARTER. PRODUCTION WILL NOT EQUAL ALLOWABLE CEILING SINCE NOT ALL WELLS CAN PRODUCE AT ALLOWABLE LEVELS.) MOBIL EXPECTS PRODUCTION TO RETURN TO NORMAL 234,000 B/D IN MARCH. AGIP/PHILLIPS ANTICIPATES DAILY AVERAGE FOR MONTH OF 230,000 B/D. ELF WILL DROP BACK TO AVERAGE OF 80,000 IT EXPECTS MAINTAIN FOR YEAR, WHILE TEXACO WILL CONTINUE AT 53,500. PAN OCEAN AND ASHLAND LIMITED OFFICIAL USE

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SHOULD REMAIN AT ABOUT FEBRUARY LEVELS. MARCH TOTAL THUS ESTIMATED TO AVERAGE 2,246,000 B/D, WHICH WOULD BE HIGHEST LEVEL REACHED SINCE OCTOBER 1974. CROSBY

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